

SENATE BILL REPORT

SB 5656

As of March 1, 2013

Title: An act relating to revising business licensing systems.

Brief Description: Revising business licensing systems.

Sponsors: Senators Braun, Carrell, Rivers, Sheldon, Hobbs and Fain.

Brief History:

Committee Activity: Trade & Economic Development: 2/12/13, 2/19/13 [DPS-WM, w/oRec].
Ways & Means: 2/26/13.

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5656 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Smith, Vice Chair; Chase, Ranking Member; Holmquist Newbry and Shin.

Minority Report: That it be referred without recommendation.

Signed by Senator Schlicher.

Staff: Edward Redmond (786-7471)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: The Business License Center Act was enacted by the Legislature in 1977 with the recognition that the number of state licenses required for new businesses and the renewal of existing licenses placed an undue burden on business. The Legislature expressed the following goals and objectives in the development of the business licensing system. First, provide a convenient, accessible, and timely one-stop system for the business community to acquire and maintain the necessary state licenses to conduct business. In this effort, the business licensing center would provide a service where information would be available to the business community concerning all state licensing and regulatory requirements, and to the extent feasible, include local and federal information concerning the same regulatory

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activities. Second, aid business and the growth of business in the state by instituting a Master Licensing System, now referred to as the Business License System (BLS), that would reduce the paperwork burden on business, and promote the elimination of obsolete and duplicative licensing requirements by consolidating existing licenses and applications. Such efforts to streamline the processing and delivery of business licenses continue to date.

In 2011, the Legislature transferred administrative authority over BLS from the Department of Licensing to the Department of Revenue (DOR) in order to align business licensing processes with existing business systems at DOR. BLS currently issues over 100 state licenses and over 70 city licenses, and may also be used to apply for over 200 state endorsements. BLS provisions, however, do not apply to certain regulated business and professional activities including those regulated under the Consumer Loan Act, credit unions, banks and trust companies, mutual savings banks, savings and loan associations, and those regulated under the insurance statutes.

Summary of Bill (Recommended Substitute): All cities that impose a business and occupation tax must have their general business licenses issued and renewed, if renewal is applicable, through the state's business licensing system by July 1, 2016. Cities that do not impose a business and occupation tax must have their general business licenses issued and renewed, if renewal is applicable, through the state's business licensing system by January 1, 2019.

DOR may delay or phase-in the implementation dates if: (1) funding or other resources are insufficient to enable DOR to meet the required deadlines; (2) additional time is required for a city's efficient transition to the business licensing system; or (3) additional time is required to ensure the business licensing system can effectively process all general business licenses.

DOR is authorized to work in collaboration with cities to establish a schedule for assuming the issuance and renewal of general business licenses. Cities may continue to issue and renew their general business licenses until such licenses have been incorporated into the business licensing system.

EFFECT OF CHANGES MADE BY TRADE & ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute): Changes the date when cities that impose a business and occupation tax must have their licenses issued and renewed through the state's BLS system to July 1, 2016.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Trade & Economic Development):
PRO: Small businesses go through reams of documents and frustration trying to get through the licensing requirements throughout the state. Businesses need a single portal system to

streamline the licensing process. This bill streamlines that process and should be revenue neutral to implement. The cities' multiportal portal project is being paid with taxpayers' money; however, taxpayers want a one-stop shop.

CON: Currently cities are working on a multicity portal. This will allow local jurisdictions to services local businesses and provide first-hand knowledge of local needs. This bill would force cities into the system by either 2015 or 2019. It is unclear how fast DOR will be able to get licenses to cities. This bill would be costly for the cities to implement and will be more of a burden. Local incentives help to attract businesses to local level. This bill would take away the flexibility to use incentives at the local level.

OTHER: The Washington Policy Center surveyed small businesses across the state. Small businesses say that they want uniformity between the state and local jurisdictions. This bill will streamline the licensing process and is a first step toward reducing the licensing burden.

Persons Testifying (Trade & Economic Development): PRO: Amber Carter, Assn. of WA Businesses; Chris Foster, Foster's Furniture; Judy Coovert, Printcom, Inc.

CON: Sally Clark, Councilmember City of Seattle; Conrad Lee, Mayor, City of Bellevue; Marty Campbell, Deputy Mayor, City of Tacoma; Paul Roberts, City of Everett; Victoria Lincoln, Assn. of WA Cities; Randy Lewis, City of Westport.

OTHER: Erin Shannon, WA Policy Center.

Staff Summary of Public Testimony (Ways & Means): PRO: It is a burden to businesses to go through every individual city to get licensed. Spokane only had 15,000 taxpayers on their records and when they joined with the business license system they found double that many businesses that needed licensing. It would be intuitive to go to DOR for issuance and renewal of all your licenses, but when they only have some cities and not all, you assume you do not need to go to the other cities.

CON: Our association is opposed to this bill as a mandate. Fifty-five cities are voluntarily involved and we encourage cities to look at the program. Some have declined, as they have better systems that works for them. There are five cities that are working on their own portal system and a lot of money has been spent. They will be coordinating with DOR. One-stop shopping does not work for Tukwila. We have spent a lot of money on our own system. We tie many fees into our system. We have customized it for our city, and with this we would have to throw all our work out. The biggest concern about this bill is that it is a mandate and a preemption of local authority. Two cities looked hard into the BLS system but it was not compatible. This will actually provide more complexity for businesses in Everett.

Persons Testifying (Ways & Means): PRO: Amber Carter, Assn. of WA Business.

CON: Victoria Lincoln, Assn. of WA Cities; Kathy Hougardy, Council President, City of Tukwila; Doug Levy, Cities of Kent and Everett.